

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Investigation into the adequacy of Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) gas transmission systems to serve the present and future gas requirements of SDG&E's core and noncore customers.

Investigation 00-11-002

ADMINISTRATIVE LAW JUDGE'S RULING DENYING MOTION OF INDICATED PRODUCERS TO SUNSET SOUTHERN CALIFORNIA GAS COMPANY'S NEW PROCEDURES FOR ALLOCATING CAPACITY AT WHEELER RIDGE

Summary

Effective August 1, 2001, Southern California Gas Company (SoCalGas) initiated new procedures for allocating capacity (windowing) at Wheeler Ridge. On August 3, 2001, the Indicated Producers (IP) brought a motion asking the Commission to order SoCalGas to sunset these new procedures and to notice and convene a two-day negotiation session so all affected parties can participate in determining final windowing procedures. The Commission denies IP's motion, but encourages the parties to meet with SoCalGas to discuss windowing procedures at Wheeler Ridge and to present any agreed upon new procedures to the Commission for review.

Background

Before SoCalGas initiated its new procedures for allocation of capacity at Wheeler Ridge, SoCalGas's windowing practice was to determine capacity by first-of-the-month nominations. In order to receive a greater share of capacity at

this receipt point, many shippers overnominated deliveries, or “gamed” the procedures creating constraint at Wheeler Ridge. The gaming “yielded uncertainty and resulted in stranding upstream firm transportation commitments made by shippers to deliver gas to California.”¹

On August 1, 2001, SoCalGas implemented minor changes to its windowing procedures at Wheeler Ridge to prevent shippers from gaming the system. IP filed its motion to have the Commission sunset these new procedures on the grounds that the new windowing procedures were unilaterally instituted by SoCalGas without any input from affected parties and constitutes a de facto pro rata cut in IP’s gas supply at Wheeler Ridge.

IP also argues that there are two open proceedings before the Commission, I.99-07-003 and this docket (I.00-11-002) in which constraint receipt points have been discussed. In addition, SoCalGas will file its Biennial Cost Allocation Proceeding (BCAP) on September 17, 2001, which will offer a third forum to discuss this issue if necessary. IP contends it would be appropriate for SoCalGas and all affected parties, shippers, customers, and advocates, to discuss windowing in any of these proceedings so there can be a full airing of the issues. In the alternative, IP requests that the Commission order SoCalGas to convene a negotiation session with the parties to the instant proceeding, and then have any settlement resulting from the negotiations submitted to the Commission for approval before it is implemented.

IP’s motion was filed just three days after the new windowing procedures went into effect. Coral Energy Resources, L.P. (Coral Energy) filed a response in

¹ IP’s motion alleged that the gaming of prior procedures led to this problem, and SoCalGas agrees that this problem of gaming needed to be addressed.

support of the motion by IP, and SoCalGas responded requesting that the Commission deny IP's motion in its entirety.

Discussion

New Procedures

The Commission is denying IP's motion to sunset SoCalGas's new procedures for numerous reasons. To begin, as IP, Coral Energy, and SoCalGas all mentioned in their pleadings, there are presently two open proceedings before the Commission,² and SoCalGas will file its BCAP in the middle of September 2001, all of which provide an opportunity for the Commission and the parties to address windowing procedures at Wheeler Ridge. There is no need for the Commission to separately address windowing procedures via this motion, even if the changes SoCalGas initiated differ from any of the proposals submitted in the open proceedings.

More importantly, the Commission is not disposed to order the minor changes to the windowing procedures terminated because the changes were implemented to prevent shippers from gaming the system and creating constraints at the Wheeler Ridge receipt point -- and it appears the changes are achieving the desired results. To date, the Commission has received no complaints to the new procedures, and all reports on the allocations process implemented August 1, 2001, at Wheeler Ridge indicate the nomination gaming has been reduced.

² Commission's Gas Industry Restructuring (GIR) proceeding (I.99-07-003) and the instant proceeding investigating the adequacy of the gas transmission systems for SoCalGas and San Diego Gas & Electric Company.

In addition, the minor changes to windowing at Wheeler Ridge appear to have resulted in the first-of-the-month allocations being consistent with the rest of the month. All the new procedures did was to establish the Wheeler Ridge capacity allocation for the first day of the month based upon the final scheduled deliveries to the system on the previous flow day. The change in allocation is confined primarily to the first day of each month. Starting with the second day of each month, and continuing to the end of the month, the procedure is almost the same as it was before. The only very minor change is that the previous day's final scheduled deliveries (Intraday 2 Cycle) are used instead of the current flow day's Evening Cycle scheduled deliveries.

As a result of the new procedures, capacity on the system is being used to its fullest extent based on customer choices. It appears to the Commission that at this point in time, the new procedures are serving the public interest and should continue.

Negotiation Session

IP's motion also requests that the Commission order SoCalGas to convene a two-day negotiation session with the parties to this proceeding and any other party affected by Wheeler Ridge allocations. The Commission is also denying this request of IP -- not because the concept of a negotiation session is not a good idea -- but because SoCalGas and the affected parties are free to schedule negotiation sessions or workshops without any order of the Commission. In fact, the Commission encourages the parties to conduct such a dialogue on windowing at Wheeler Ridge, but will not order it.

Conclusion

The Commission denies the motion of IP in its entirety. We will allow SoCalGas to continue with the minor changes to the windowing procedures at

Wheeler Ridge pending further order of the Commission in this, or another, proceeding.

IT IS RULED that:

1. The motion of the Indicated Producers to sunset Southern California Gas Company's (SoCalGas) new procedures for allocating capacity at Wheeler Ridge and to order the affected parties to convene a negotiation session is denied.
2. SoCalGas may continue with the minor changes it made to its capacity allocation procedures at Wheeler Ridge until further order of the Commission.

Dated September 14, 2001, at San Francisco, California.

/s/ CAROL BROWN

Carol Brown
Administrative Law Judge

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of the original attached Administrative Law Judge's Ruling Denying Motion of Indicated Producers to Sunset Southern California Gas Company's New Procedures for Allocating Capacity at Wheeler Ridge on all parties of record in this proceeding or their attorneys of record.

Dated September 14, 2001, at San Francisco, California.

/s/ JEANNIE CHANG

Jeannie Chang

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.